



PART 2

CASE STUDY

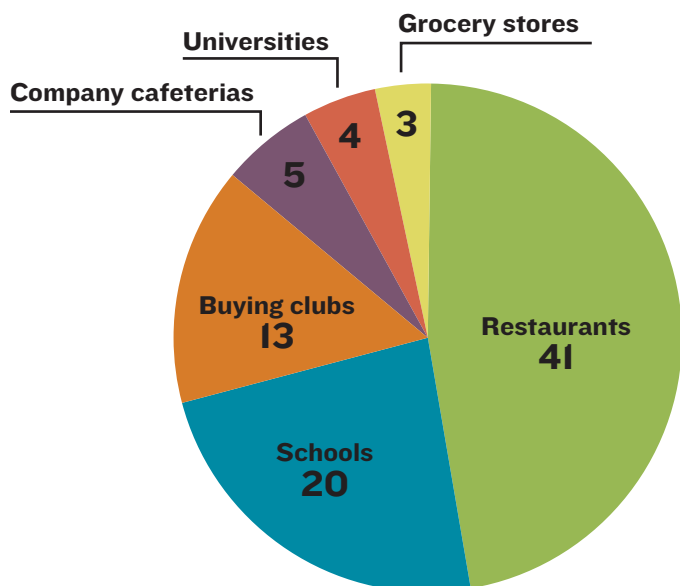
Case Business Summary & Financials

GOOD FOOD CO | local made easy

Based in Wadesboro, NC, (a town of 5,800 about an hour east of Charlotte, NC), Good Food Co mission is to support farmers and producers in the Carolinas by efficiently and safely aggregating and selling their products into the regional market. GFC sells farm-identified produce, dairy, eggs, grains, breads, and value-added products to wholesale customers. The company plans to expand its offerings by adding light processing and freezing of produce to sell to foodservice at institutions, such as K-12 schools, hospitals, universities, etc. GFC works with several transport companies to orchestrate delivery to customers.

Customers

Good Food Co connects consumers and food businesses with local and regional producers. GFC makes it easy for its customers to get farm fresh local products through one centralized process. With over 80 regular customers, Good Food Co prides itself on reaching a large cross-section of the population. The company's customers serve food to a wide range of consumers, from school children to nurses to corporate professionals. GFC's school and university customers have requested lightly-processed and frozen vegetables and GFC plans to expand its operations to produce and offer these products.



COMPANY PROFILE

Good Food Co
Founded 2009
Wadesboro, NC

Industry:

Food aggregation
and distribution;
Food processing



Contact:

Mary Distrofood
mary@goodfoodco.com

Financial Information:

Company stage: Growth
Revenue: \$1.6 million
EBIDTA: \$50k

Growth strategy:

Expand offerings to include in-house
produced locally grown lightly
processed and frozen produce

Ownership:

C Corp, Mary Distrofood and
4 farmers

Capital seeking:

\$500k equipment financing,
\$200k line of credit

Suppliers

A core focus of Good Food's mission is to support small and mid-sized farmers across the Carolinas. Good Food Co works with over 50 farmers and suppliers and believes in creating value for suppliers by maximizing the return they receive for their products and creating transparency in pricing. GFC takes a fixed 22% of wholesale price to cover its costs. While prices for products fluctuate throughout their seasons, GFC works with farmers during a pre-season annual meeting to establish a floor price for each item and always informs producers of the wholesale price during any given week.

For its processed-frozen products, GFC will buy and process farmers' blemished or off-size produce ("seconds") for which farmers often have difficulty finding markets. GFC will price frozen products to cover processing costs with a small margin above the cost of produce. While farmers are not involved in the final pricing, GFC will return to farmers at a minimum 40% of the final price for processed-frozen products.

Sales and Return to Farmer			
	Sales	Return to Farmer	% Returned to Farmer
Existing line of wholesale products (2014)	\$1,601,280	\$1,248,998	78%
Proposed line of in-house processed frozen products (2015 projections)	\$250,000	\$205,000	42%

Market and Competitive Environment

Located in a rich agricultural belt and within an hour's drive of Charlotte, Good Food Co is poised to become the go-to wholesaler for local food for a metro area with a population of 2.29 million and estimated \$576 million total in annual demand for local fruits and vegetables (\$295 million), dairy (\$181 million), and poultry and eggs (\$100 million). As the only wholesaler in North Carolina that sells source-identified locally and regionally grown products, GFC faces little to no competition in the market place. GFC has a strong collaborative relationship with a similar wholesaler based in Charleston, SC. For the processed-frozen products, GFC will be in a fairly crowded market with several well-established produce processors in the area though only one competitor buys locally. Wright Frozen Foods, based in Benson, NC, recently established a retail line of fresh-cut and frozen foods sourced from three large produce farms in eastern North Carolina.

GFC believes that it can distinguish itself by targeting the wholesale institutional market and by effectively telling the story of its small and mid-sized farmers.

Management and Governance

Good Food Co has a small but committed staff and board of directors. Building on her experience as a farmer and, then, produce buyer and warehouse manager for Wholefoods Market, Founder and CEO Mary Distrofood manages all operations and oversees the business's 2 full-time and 2 seasonal staff. With all of its distribution outsourced, GFC is able to keep a lean staff. GFC is majority owned by the CEO and co-owned by four farmers. The company has a process by which farmer-suppliers can be nominated to and invest in an ownership stake in GFC. GFC's board is made up of the five owners with an advisory board including a lawyer, a banker, a restaurateur, tech entrepreneur, and a farmer. The board is very active helping to promote the business, seek financing when necessary, and provide input on the direction of the business.

Assets and Income

Good Food Co leases 3,000 square feet of a 10,000 square foot warehouse and owns 500 square feet of cooler space and 150 square feet of frozen storage space. Good Food sold \$1.6 million in products in 2014 and had close to \$40k in EBITDA. GFC plans to add a line of frozen produce that with its higher margins will allow the company to reach over \$170k in EBITDA with \$2.33 million in total sales. In 2015, GFC will exercise the option to lease additional space in the warehouse to install processing and freezing equipment and additional cold and frozen storage.

Growth Strategy and Financing Needs

Good Food Co will continue to grow its market for fresh whole produce, dairy, grains, and other farm-identified products through strong sales and marketing efforts. In 2015, Good Food will also expand its offerings by lightly processing and freezing fruit and vegetables. Current institutional customers, such as schools and universities, have indicated \$1.2 million in demand for farm-identified frozen produce and the demand is even greater in the broader market. GFC needs \$500k in financing to purchase processing and freezing equipment and additional cold and frozen storage and a \$200k line of credit to cover the seasonality of purchasing seconds during peak season and holding frozen inventory throughout the school year.

Good Food Co – Income Statement								
	2012		2013		2014		2015 (projected)	
	\$ amount	% of total sales	\$ amount	% of total sales	\$ amount	% of total sales	\$ amount	% of total sales
Sales								
In-house processed /frozen produce	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ 250,000	10.7%
All other products	\$ 556,000	100.0%	\$ 1,000,800	100.0%	\$ 1,601,280	100.0%	\$ 2,081,664	89.3%
Total sales	\$ 556,000	100.0%	\$ 1,000,800	100.0%	\$ 1,601,280	100.0%	\$ 2,331,664	100.0%
Cost of goods sold								
Processed /frozen produce								
Product	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ 105,000	4.5%
Labor	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ 50,000	2.1%
Occupancy allocation (25% starting in 2015)	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ 16,000	0.7%
Total for processed /frozen produce	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ 171,000	7.3%
Whole produce, dairy grains, and all other products	\$ 433,680	78.0%	\$ 780,624	78.0%	\$ 1,248,998	78.0%	\$ 1,623,698	69.6%
Total cost of goods sold	\$ 433,680	78.0%	\$ 780,624	78.0%	\$ 1,248,998	78.0%	\$ 1,794,698	77.0%
Gross Profit	\$ 122,320	22.0%	\$ 220,176	22.0%	\$ 352,282	22.0%	\$ 536,966	23.0%
Expenses								
Personnel, incl. taxes and benefits	\$ 48,000	8.6%	\$ 72,000	7.2%	\$ 145,000	9.1%	\$ 152,000	6.5%
Distribution (contracted)	\$ 42,000	7.6%	\$ 70,000	7.0%	\$ 92,000	5.7%	\$ 124,000	5.3%
Occupancy (75% of total starting in 2015)	\$ 33,600	6.0%	\$ 35,280	3.5%	\$ 37,044	2.3%	\$ 38,896	1.7%
Marketing and sales	\$ 5,000	0.9%	\$ 7,000	0.7%	\$ 9,000	0.6%	\$ 15,000	0.6%
Administrative	\$ 6,000	1.1%	\$ 8,000	0.8%	\$ 10,000	0.6%	\$ 12,000	0.5%
Other	\$ 11,000	2.0%	\$ 16,000	1.6%	\$ 22,000	1.4%	\$ 24,000	1.0%
Total expenses	\$ 145,600	26.2%	\$ 208,280	20.8%	\$ 315,044	19.7%	\$ 365,896	15.7%
EBITDA	\$ (23,280)	(4.2%)	\$ 11,896	1.2%	\$ 37,238	2.3%	\$ 171,070	7.3%
Depreciation	\$ 8,125	1.5%	\$ 8,125	0.8%	\$ 8,125	0.2%	\$ 25,000	1.1%
Amortization	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%
EBIT or Operating Profit	\$ (31,405)	(5.6%)	\$ 3,771	0.4%	\$ 29,113	1.8%	\$ 146,070	6.3%
Interest expense	\$ 5,002	0.9%	\$ 4,442	0.0%	\$ 3,837	0.2%	\$ 28,1854	1.2%
Interest (income)	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%
Other non-operating (income) /expense	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%	\$ –	0.0%
Pretax Income	\$ (36,407)	(6.5%)	\$ (671)	(0.1%)	\$ 25,276	1.6%	\$ 117,886	5.1%
Income Taxes	\$ –	–	\$ –	0.0%	\$ 3,791	0.2%	\$ 23,577	1.0%
Net Income	\$ (36,407)	(6.5%)	\$ (671)	(0.1%)	\$ 21,484	1.3%	\$ 94,309	4.0%

Good Food Co – Balance Sheet

As of December 31, 2014

Assets

Cash	\$	106,842
Accounts receivable	\$	78,200
Inventory	\$	8,420
Prepaid expenses	\$	1,200
Current assets	\$	194,662
Other assets	\$	–
PP&E at cost	\$	65,000
Accumulated deprecitaion	\$	40,625
Net fixed assets	\$	24,375
Total assets	\$	219,037

Liabilities

Accounts payable	\$	76,440
Accrued expenses	\$	43,390
Current portion of debt	\$	8,816
Income taxes payable	\$	–
Current liabilities	\$	128,646
Long term debt	\$	30,984

Owners' equity

Invested capital	\$	75,000
Retained earnings	\$	(15,593)
Total owner's equity	\$	59,407
Total liabilities and equity	\$	219,037

PART 2 – CASE EXERCISE TOOLS

Portions of the Business Assessment Toolkit to guide your assessment



BUSINESS MODEL & STRATEGY

BUSINESS JUSTIFICATION	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
	<ul style="list-style-type: none"> What issue/need is the business addressing? 	<ul style="list-style-type: none"> A food hub should be able to explain what value it provides and why its business is necessary. Because most food hubs are launched in order to address unmet needs for producers and/or consumers, the operators should be able to articulate how the business helps these market constituents. This justification is made stronger when the food hub can speak to specific needs in its locale or region, and has supporting research. 	<ul style="list-style-type: none"> The business can clearly articulate why its services and products will be accepted in the market area it plans to serve. The hub has supporting data and analyses. 	<ul style="list-style-type: none"> The business only vaguely explains the need for its services and does not have sufficient data to support its claims. 	<ul style="list-style-type: none"> The business neglects to clearly outline what are its services and why they are needed.
	CONTEXT/EXAMPLES				
	<ul style="list-style-type: none"> Many of the microbreweries that have popped up across the country value local and do their best to incorporate local products in their beers. However, with barley production spread across the country and the world and only a handful of facilities in the country processing barley into malt, most breweries are not able get one of their key ingredients from local sources. Valley Malt built its facility in Hadley, MA to address this need. 		<ul style="list-style-type: none"> With the decline of tobacco production in North Carolina, many farmers were looking for new crops and new markets. Some had begun to grow vegetables, even organic vegetables, but did not have sufficient outlets for their production. Eastern Carolina Organics stepped up to work with farmers transitioning their fields from tobacco production to organic produce production connecting farmers with wholesale markets. 		

REVENUE GENERATION MECHANISM	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
	<ul style="list-style-type: none"> How does the business generate revenue? 	<ul style="list-style-type: none"> A food hub should be able to clearly state how it will generate revenue. Revenue models for food hubs can vary with activity and size and can include taking a percentage of wholesale or retail price, charging packing fees as price per case, charging markups on processed product, or charging rental fees for space/facility usage. 	<ul style="list-style-type: none"> The business knows exactly how it generates revenue and the revenue model is appropriate for its chosen activities (e.g., percent of sales for aggregation and distribution). 	<ul style="list-style-type: none"> The business demonstrates an understanding of the options to generate revenue, but has not yet determined its revenue model or has selected a confusing revenue path. 	<ul style="list-style-type: none"> The business does not know how it will generate revenue and does not demonstrate an understanding of the revenue models appropriate for its chosen business activity.
	CONTEXT/EXAMPLES				
	<ul style="list-style-type: none"> A food hub's revenue generation mechanism will depend on the types of activities it undertakes. The Food Hub Activity Classification, available for download with the toolkit's resources, summarizes these differences. 		<ul style="list-style-type: none"> Aggregators such as Farm Fresh Rhode Island, Blue Ridge Produce, and Common Market charge a percentage markup. For example, if the aggregator charges 20%, then for each \$1 of product sold, the farmer is paid \$0.80 and the revenue to the food hub is \$0.20. 		
	<ul style="list-style-type: none"> Mad River Food Hub, an inspected vegetable and meat processing facility in Vermont, charges food producers by the day to rent the space and also offers distribution, HACCP plan development, and business development services. The food hub also offers fee for service meat processing. 		<ul style="list-style-type: none"> Farm to Table Co-packers in Kingston, New York offers vegetable and value-added processing services and charges per piece of production. For example, FTC would charge a dollar amount per case of jars of salsa they produced for a salsa company. 		

VALUE PROPOSITION	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
	<ul style="list-style-type: none"> • Why would customers buy this product or service from this business? • Why would farmers/suppliers work with this business? 	<ul style="list-style-type: none"> • At a basic level, the reasons why customers buy hinge on the price and quality of the offered product/service. In the case of food hubs, factors like product quality, range of product selection, and service experience are major drivers of value for customers. Suppliers and farmers focus on factors like price, trade terms, and ease of transaction. For mission-driven businesses, value also includes social and environmental impact, which is detailed in "Impact Potential." 	<ul style="list-style-type: none"> • The business can articulate specific reasons why customers will buy its products/services and has sufficient research to support its claims. • The business also clearly explains why farmers/producers will sell crops to the hub over other market outlets. 	<ul style="list-style-type: none"> • The business only partially explains why customers will buy products/services and why suppliers will sell, and/or there is insufficient research to support the business's claims. 	<ul style="list-style-type: none"> • It is unclear why customers will value and purchase products and/or why farmers will sell to the food hub; the business has no research to support its claims.
	CONTEXT/EXAMPLES				
	<ul style="list-style-type: none"> • Customers use Farm Fresh Rhode Island (FFRI) because it is an easy, convenient, and reliable way to source from over 70 local producers in one place. Farmers work with FFRI because they get control over pricing and FFRI pays farmers quickly. FFRI pays farmers within 2 weeks of receiving product, even though FFRI's customers often have longer payment schedules. 		<ul style="list-style-type: none"> • Red's Best, a seafood aggregator based in Boston, offers fisherman transparency and quick payments unheard of in the industry. Through Red's Best's proprietary software, fisherman can see exactly where their fish were sold and for how much and are paid for their catch within a week. Red's Best also takes the whole catch from fisherman, allowing fisherman to fish for whatever is in abundance that time of year. 		

COMPETITIVE ADVANTAGE	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
	<ul style="list-style-type: none"> • Why will this business succeed against competition or alternatives? 	<ul style="list-style-type: none"> • For many food hubs, the local products that they offer are difficult for customers to efficiently access on their own. Given the innovations and rapidly changing food landscape, there are many new entrants trying to offer solutions for local farm sourcing. To keep customers and suppliers engaged, a food hub should know why it is different and what it offers over other local sourcing options. 	<ul style="list-style-type: none"> • The business provides evidence of how it is specifically different and distinctive from competing options and why those differences create an advantage in engaging customers and/or suppliers. 	<ul style="list-style-type: none"> • The business relies on general factors or market trends to distinguish itself (e.g., relies on the local food trend as its competitive advantage). 	<ul style="list-style-type: none"> • The food hub claims it has no competition or does not know or fails to identify specific reasons why it will succeed over competing options.
	CONTEXT/EXAMPLES				
	<ul style="list-style-type: none"> • Red's Best, a seafood aggregator based in Boston, has proprietary software that allows the company to aggregate from many small boats, maintain source transparency to the boat, and sell fish to buyers much more efficiently. 	<ul style="list-style-type: none"> • Even though many food hubs are taking a novel approach to aggregation and distribution, all food hubs face competition. Customers always have an alternative to food hubs. They can use other food distribution channels, even if those channels carry conventional or food that is not local. 	<ul style="list-style-type: none"> • City Fresh, a healthy meal preparation company based in Boston, has over a dozen competitors in its market. City Fresh has distinguished itself by offering delivery of hot meals, specializing in ethnic cuisine, and serving the budget-constrained institutional market (senior care facilities and schools, among others). 		

PART 2 – WORKSHEET

Record your thoughts on and assessment of the case businesses

Fill in your assessment:

- Is the business STRONG, MEDIUM or WEAK in this area?
- Jot down some notes explaining why



**BUSINESS
MODEL &
STRATEGY**

GOOD FOOD CO

**Business
justification**

**Revenue
generation
mechanism**

**Value
proposition**

**Competitive
advantage**



SOCIAL IMPACT POTENTIAL

ACCESS	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
	<ul style="list-style-type: none"> Does the food hub have a goal of providing greater access to healthy local foods for low-income/high-need consumers? Where does the food hub operate that it reaches low income customers? By what channels, such as public institutions or food desert communities? Are efforts current or planned? Other ways the food hub may reach low-income consumers. 	<ul style="list-style-type: none"> A food hub's types of customers suggest whether or not the food hub is helping to create access for low-income communities. If a food hub's customers include many public school districts, public hospitals, food banks, and other institutions that serve low-income consumers, the food hub is helping to create access. If the food hub has customers (either individuals or community-serving institutions) that are in food deserts, as defined by the USDA or TRF's low supermarket access indicator on Policy Map, the food hub is helping to create access. 	<ul style="list-style-type: none"> The food hub has a clearly stated goal of creating access to healthy local food for low-income consumers and it operates in "food desert" areas or serves channels that reach low income consumers (including institutions or SNAP sales). 	<ul style="list-style-type: none"> The food hub has a stated goal to reach low-income consumers and is attempting to operate in "food desert" areas or through channels that reach low-income consumers. 	<ul style="list-style-type: none"> The food hub does not have a stated goal or intention to improve access for low-income consumers, and does not operate in food desert areas or sell through any low-income consumer channels.²
	CONTEXT/EXAMPLES				
	<ul style="list-style-type: none"> According to the 2013 Food Hub Survey, of those food hubs surveyed that sell direct to consumers, about half accept SNAP, and 27% accept WIC or Farmers Market Nutrition Program benefits. Of those surveyed that accepted SNAP, fewer than half had a program that matched the dollar amount of SNAP benefits. Fewer than 20% of retail-oriented food hubs operated a mobile market or offered subsidized farm shares.² 				



ENVIRONMENTAL IMPACT POTENTIAL

LAND USE AND AGRICULTURAL PRODUCTION

DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
<ul style="list-style-type: none">• Total farmland acres of all farms supplying the food hub.• Total acres by type of production practices of all farms supplying the food hub.<ul style="list-style-type: none">- Certified organic- Sustainable (non-certified organic)- Conventional• If available, additional acreage put into production and acres converted to more sustainable practices in order to serve the food hub.• If available, the dollar value per acre that the farmer receives from sales to the food hub.• Total farmland acres of all farms in the state or region.• Other environmentally beneficial land use; consider impacts in urban areas as well.	<ul style="list-style-type: none">• The amount of land food hub suppliers have under production suggests how much farmland the food hub is helping to preserve as working land. For example, a strong food hub may work with 70 farmers that cultivate hundreds of acres whereas a weak food hub only works with 5 farmers that cultivate a quarter acre each. This is particularly useful for early stage food hubs who may be able to capture data on acreage supplying the food hub and they can compare acreage over time to show growth in farms due to food hub activity.• Food hubs may support other land use impacts beyond farmland preservation, e.g., motivating organic cultivation, increased crop diversity, or expanding new growing methods like hoop houses.	<ul style="list-style-type: none">• The business sources from farms that make up significant acreage for the area.• The business actively supports sustainable production and sources from farms that comprise significant organic and sustainable acreage.	<ul style="list-style-type: none">• The business sources from farms that make up moderate acreage for the area.• The business attempts to or has plans to support sustainable production and sources from farms that comprise moderate organic and sustainable acreage.	<ul style="list-style-type: none">• The business sources from farms that make up little acreage for the area.• The business has no plans to support sustainable production and sources from no farms with organic or sustainable cultivation.
CONTEXT/EXAMPLES				
<ul style="list-style-type: none">• Food hubs can support farmers as they try new production techniques. For example, Grasshoppers, a former aggregator in Kentucky, committed to buying product from a farmer that was first learning to grow in hoop houses, allowing him to try out something new and have a market for his product should he succeed.		<ul style="list-style-type: none">• The 2013 Food Hub Survey also found that about 24% of food hub respondents reported that all or most of their suppliers had adopted more sustainable production methods and 23% reported that all or most of their suppliers had increase their acreage since beginning to work with the hub.³		
<ul style="list-style-type: none">• The 2013 Food Hub Survey found that very few food hubs required specific practices from their supplier-farmers, but that many stated preferences for sustainable practices.⁴		<ul style="list-style-type: none">• Eastern Carolina Organics does not require its farmer-suppliers to be fully certified organic, but works with farmers as they transition, providing support during the process of becoming certified.⁵		



ECONOMIC IMPACT POTENTIAL

FARM INCOME	DATA	INTERPRETATION	STRONG	MEDIUM	WEAK
	<ul style="list-style-type: none"> • Food hub's cost of goods sold (i.e. the amount paid to producers for products). • Percentage of wholesale price paid to producers. • Percentage of retail price paid to producers. • Pricing process. Does the producer play a role in determining price? 	<ul style="list-style-type: none"> • The dollar amount of sales paid to farms shows concretely how much the food hub is contributing to producers' incomes. • To achieve greater impact on farm income, food hubs typically pass along a greater percentage of the wholesale or retail price to farmers than the conventional food distribution industry. • The process for setting prices shows the extent to which a food hub is distinct from a conventional aggregator/distributor. In the conventional commodity market, the producer is often a price taker and the aggregator/distributor largely views farms as interchangeable suppliers of a commodity. The strategies that food hubs use to set pricing create transparency, empower farms, differentiate the products, and secure greater income for producers. 	<ul style="list-style-type: none"> • The business has over \$1 million in revenue and pays over 65% of that to suppliers for product. • The business has a transparent process for setting prices with farmers. 	<ul style="list-style-type: none"> • The business has less than \$1 million in revenue and pays a fair market % to producers. • The business has a transparent process or other form of farm-favorable pricing. 	<ul style="list-style-type: none"> • The business passes along a very small portion of revenue received to farms. • The business has unclear, non-transparent process for setting prices or puts pressure on farms in the pricing process.
	CONTEXT/EXAMPLES				
	<ul style="list-style-type: none"> • Nationally, farmers get on average only 25-33% of the retail price of fresh fruits and vegetables.⁸ In contrast, Eastern Carolina Organics does an 80/20 split, with farmers getting 80% of the wholesale price,^{9,10} which, assuming a 50-75% retail markup over wholesale price, translates into farmers getting 45-53% of the retail price of the produce. 	<ul style="list-style-type: none"> • The amount that a food hub contributes to farm income is largely dependent on the volume that the food hub sells. 		<ul style="list-style-type: none"> • Farm Fresh Rhode Island's Market Mobile allows farmers to set their own prices and FFRI takes a fixed 18% of that price to handle and distribute the produce. In 2013, Rhode Island and New England producers took home over \$1.5 million from sales through Farm Fresh Rhode Island. 	

PART 2 – WORKSHEET

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Fill in your assessment:

- Is the business STRONG, MEDIUM or WEAK in this area?
- Jot down some notes explaining why



GOOD FOOD CO

**Social impact:
Access**

**Environmental
impact:
Land use and
agricultural
production**

**Economic
impact:
Farm income**